

January 17, 2002

Bruce P. Beausejour
Vice President and General Counsel
Verizon Massachusetts
185 Franklin Street, Room 1403
Boston, MA 02110

RE: Performance Assurance Plan, D.T.E. 99-271

On October 24, 2001, Verizon New England Inc. d/b/a/ Verizon Massachusetts (“Verizon” or “VZ-MA”) filed with the Department of Telecommunications and Energy (“Department”) a draft Request for Proposal (“RFP”) to audit the Performance Assurance Plan (“PAP” or “Plan”) for Massachusetts.¹ Our September 2000 Order requires that Verizon engage an independent auditor, selected by the Department through a competitive bidding process, to audit the PAP. Verizon must annually retain an auditor to audit VZ-MA’s data and reporting procedures under the Plan. In addition, the first audit of the PAP will examine data reliability issues and begin six months after Verizon enters the long-distance market. September 5, 2000 Order at 33.

In order to assure an objective and fair evaluation for auditing the PAP, the process of soliciting and evaluating the RFP and its responses is being administered by both the Department and Verizon. Upon review of Verizon’s proposed RFP, we find that certain language should be incorporated into the appropriate sections of the RFP before issuance to prospective independent auditors. This additional language will assure a thorough scope for the PAP’s initial audit.

¹ The Massachusetts PAP is a self-executing remedy plan to prevent “backsliding” (i.e., serious degradation in the quality of wholesale service provided to competing carriers by Verizon).

Verizon proposes to audit six metrics from each of the major service categories of the performance measurements reported in the PAP (RFP at 2.2, 2.3). Performance measurements are intended to ensure that the reporting mechanism provides a “benchmark against which new entrants and regulators can measure performance over time to detect and correct any degradation of service rendered to new entrants.” Id. at 25 citing Bell Atlantic New York Order at ¶ 438; SBC Texas Order at ¶ 425. While the September 5, 2000 Order did not specify the number of metrics to be the subject of the PAP’s audit,² we are concerned that the number of metrics Verizon proposes to audit may not be statistically valid or may be too narrow in scope given the approximately 170 metrics contained within the PAP. In order to assure that a statistically valid number of metrics are audited, the RFP should be revised so that prospective auditors propose a statistically valid number of metrics to audit the PAP. The bidder should identify the metrics to be audited and the metrics should fairly represent the various domains used in the PAP. The bidder should also explain the reason(s) for choosing the number of metrics and the identities of the metrics for the audit.

Verizon proposes that the auditor verify the PAP’s data calculations from the “pull point” (i.e., the point in the Verizon systems where raw data are gathered) (RFP at 2.3). In our September 5, 2000 Order, we stated that it is necessary to audit Verizon’s data and reporting. Id. at 33. We also reiterated the Federal Communications Commission position that there must be “reasonable assurances that the reported data is accurate.” Id. at 32 citing Bell Atlantic New York Order at ¶ 442. While Verizon proposes that the auditor verify that data calculations from the pull point are accurate, Verizon’s RFP does not provide for an examination and verification as to whether the actual raw data are accurate. We find this provision in the RFP to be unreasonable because it does not provide a “reasonable assurance” that Verizon’s data are both accurate and being produced and reported in a consistent manner. Therefore, the RFP should be revised to include the additional requirement that the auditor examine and verify that the raw data used by Verizon are accurate and in accordance with the requirements of the PAP. The auditor should also verify that the calculations used to arrive at reported metric performances are in accordance with the carrier to carrier guideline definitions.

Verizon proposes that the auditor verify that the PAP report for the month of October 2001 and statistical formulas used by VZ-MA to determine “parity” are accurate (RFP at 2.3). Under the PAP, Verizon reports its performance on a monthly basis. Bill credits appear on each CLEC’s bill two months after the calendar quarter in which the unsatisfactory performance occurred. Further, the PAP uses statistical methodologies as one means to determine if “parity” exists, or if the wholesale service performance for CLECs is equivalent to the performance for Verizon. Although, verification of a finalized PAP report and statistical

² Instead, the September 5, 2000 Order stated that Verizon shall consult with Department staff about the parameters of the bidding and selection process.

formulas used to determine “parity” is important, we find that it does not go far enough in assuring a comprehensive audit of Verizon’s performance. Therefore, the RFP should be revised so that the auditor independently replicates Verizon’s performance for those metrics audited. The auditor should also verify the accuracy of the bill credits for both a facilities based and non-facilities based CLEC receiving bill credits. By replicating an already completed PAP report, the auditor will be able to independently confirm the accuracy of Verizon’s performance scores, market adjustments, and bill credits.

We direct Verizon to make these changes to the RFP within ten days of the date of this Order and file a revised RFP for final approval by the Department.

By Order of the Department,

James Connelly, Chairman

W. Robert Keating, Commissioner

Paul B. Vasington, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Deirdre K. Manning, Commissioner